



NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of TransAlta Utilities Corporation (the "Corporation") will be held in the Alberta Room, Palliser Hotel, 133 - 9 Avenue S.W., Calgary, Alberta on Friday, May 8, 1987 at 10:00 a.m. (Calgary time) for the purpose of:

- (a) receiving and considering the Report of the Directors, the Consolidated Financial Statements of the Corporation and the Report of its Auditors;
- (b) electing Directors;
- (c) appointing Auditors; and
- (d) transacting such other business as may properly be brought before the meeting.

By Order of the Board of Directors

Calgary, Alberta
March 12, 1987

R. L. McCrimmon
Corporate Secretary

If you are unable to be present at the meeting PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY in the enclosed addressed envelope at least twenty-four hours before the time fixed for holding the meeting.

Only shareholders of record at the close of business on March 20, 1987 will be entitled to vote at the Annual Meeting except to the extent that a person has transferred any shares of the Corporation after that date and the new holder of such shares establishes proper ownership and demands not later than 10 days before the Annual Meeting to be included in the list of shareholders eligible to vote at the Annual Meeting.



MANAGEMENT PROXY CIRCULAR

MANAGEMENT SOLICITATION

This Management Proxy Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of TransAlta Utilities Corporation (the "Corporation") for use at the Annual Meeting (the "Meeting") of the shareholders of the Corporation to be held on Friday, May 8, 1987 at 10:00 a.m. (Calgary time) for the purposes set out in the Notice of Meeting. Proxies must be deposited at the head and registered office of the Corporation not less than twenty-four hours before the Meeting.

The persons named in the accompanying proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. **In the absence of such direction, such shares will be voted (i) in favour of the election of the persons proposed to be nominated as directors; and (ii) in favour of the appointment of Clarkson Gordon as auditors of the Corporation.**

The cost of such solicitation will be borne by the Corporation and will be made primarily by mail. Directors, officers and regular employees of the Corporation may solicit proxies without special compensation by telephone, telegram or in person. Brokerage houses and other custodians, nominees and fiduciaries will be reimbursed for the expense of forwarding documents to beneficial owners for whom shares are held.

REVOCATION OF PROXIES

The proxies are revocable. Subject to compliance with the requirements of the following paragraph, the giving of a proxy will not affect the right of a shareholder to attend and vote in person at the Meeting.

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head and registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting, or adjournment thereof.

VOTING SHARES

There are outstanding 94,529,191 fully paid and non-assessable voting shares of the Corporation consisting of 67,629,931 Common Shares, 26,870,614 First Preferred Shares and 28,646 Second Preferred Shares. A shareholder is entitled to one vote in person or by proxy for each Common Share and each First Preferred Share held (except certain series described as follows). Holders of the 14.25% series, the 12.50% series, the 9% series, the 8.40% series, the 7.20% series and the 7.08% series of First Preferred Shares and \$1.40 Second Preferred Shares are entitled to one vote for each full \$100 of subscription price of such shares held. The 7.70% series and the 8.64% series of First Preferred Shares are non-voting unless the Corporation fails to pay certain dividends.

Only shareholders of record at the close of business on March 20, 1987 will be entitled to vote at the Meeting except to the extent that a person has transferred any shares of the Corporation after that date and the new holder of such shares establishes proper ownership and demands not later than 10 days before the Meeting to be included in the list of shareholders eligible to vote at the Meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation provides directors' and officers' liability insurance which has an aggregate claim limit of \$20,000,000 each policy year for all directors and officers of the Corporation as a group. The annual premium is approximately \$215,000. Losses are subject to a deductible amount of \$1,000 for each insured person, up to an aggregate of \$10,000, or \$500,000 for the Corporation. The total cost of the insurance is paid by the Corporation.

SHARE OPTION PLAN

The Corporation's Share Option Plan (the "Plan") was approved by the shareholders on May 9, 1985. Under the Plan, the Compensation Committee may, on the advice of the Chairman of the Board and Chief Executive Officer of the Corporation, authorize the granting of options to purchase Class A Common Shares of the Corporation to employees of the Corporation and its subsidiaries to a maximum of 1,000,000 Class A Common Shares. The size, terms and conditions of the options to be granted to each employee are at the discretion of the Compensation Committee.

The option price per Class A Common Share, which must be paid in full on exercise of the option, is fixed by the Compensation Committee when an option is granted, but is no less than the last sale price of board lots of the Class A Common Shares on The Toronto Stock Exchange on the last business day prior to the day the option is granted. No option may extend more than ten years from the date it is granted and the Plan provides for earlier or later expiry of options in certain circumstances.

On February 11, 1986, options to purchase 45,500 Class A Common Shares of the Corporation at an option price of \$26.75 per share over a period of ten years were granted by the Corporation. Of these options, options to purchase 42,500 Class A Common Shares of the Corporation were granted to the executive officers of the Corporation as a group. The price range of the Class A Common Shares for the 30 days preceeding February 11, 1986 was between \$26.375 and \$27.125. On June 25, 1986, options to purchase a further 82,500 Class A Common Shares at an option price of \$28.00 per share over a period of ten years were granted to the executive officers as a group. The price range for the 30 days preceeding June 25, 1986 was between \$27.75 and \$28.75. No other options have been granted under the Plan and no options have been exercised to the date of this Management Proxy Circular.

OTHER MATTERS

The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the date hereof, the management of the Corporation knows of no such amendment, variation or other matter. If any such amendment, variation or other matter properly comes before the Meeting, the instrument of proxy will be voted on such matters in accordance with the best judgment of the person voting the proxy.

DIRECTORS' APPROVAL

The contents of this Management Proxy Circular and the sending thereof have been approved by the board of directors of the Corporation.

Calgary, Alberta
March 12, 1987

R. L. McCrimmon
Corporate Secretary

ELECTION OF DIRECTORS

Each of the following persons is proposed to be nominated as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed.

| Name and year first became a director | Principal occupation | Shares beneficially owned and/or controlled | | |
|---|--|---|-----------------|------------------|
| | | Common ⁽¹⁾ | First Preferred | Second Preferred |
| Robert Graham Black, Q.C. ⁽⁴⁾ 1972 | Partner of Black & Company (Barristers and Solicitors) General Counsel TransAlta Utilities Corporation Director TransAlta Resources Corporation | 4,993 | | |
| Thomas Smith Dobson ⁽²⁾⁽³⁾⁽⁴⁾ 1979 | Chairman Easton United Securities Ltd. (Investments) | 1,387 | | |
| D'Arcy Douglas Duncan, Q.C. 1974 | Partner of Duncan Craig Cooke Shandling (Barristers & Solicitors) | 1,699 | | |
| John Thomas Ferguson ⁽²⁾ 1981 | President and Chief Executive Officer Princeton Developments Ltd. (Commercial Real Estate Development) | 1,239 | | |
| Douglas James Gordon ⁽⁴⁾ 1981 | Corporate Consultant | 431 | | |
| Albert Warren Howard ⁽²⁾⁽⁴⁾ 1956 | Corporate Consultant Director TransAlta Resources Corporation | 74,195 | 1,750 | |
| Louis Davies Hyndman, Q.C. 1986 | Partner of Field & Field (Barristers & Solicitors) | | | |
| John Wallace Madill ⁽³⁾ 1978 | Chief Executive Officer Alberta Wheat Pool (Grain Marketing) | 957 | 400 | |
| Gerald James Maier 1983 | President and Chief Executive Officer TransCanada PipeLines Limited (Natural Gas Transmission) | 500 | | |
| Walter Joseph McCarthy 1975 | Senior Vice-President Sun Life Assurance Company of Canada (Life Insurance) Director TransAlta Resources Corporation | 736 | 100 | |
| Hugh John Sanders Pearson ⁽³⁾ 1977 | Chairman of the Board and Chief Executive Officer Century Sales & Service Limited (Industrial Tools and Fasteners Distribution) | 19,529 | | |
| Ross Ferguson Phillips, F.C.A. ⁽²⁾ 1975 | Corporate Consultant Director TransAlta Resources Corporation | 3,000 | | |
| Harry George Schaefer 1985 | Vice-Chairman of the Board and Chief Financial Officer TransAlta Utilities Corporation President and a Director TransAlta Resources Corporation | 3,639 | | |
| Ralph Ambrose Thrall, Jr. ⁽²⁾ 1981 | President McIntyre Ranching Co. Ltd. (Cattle Ranching) | 1,901 | | |
| Marshall MacKenzie Williams 1972 | Chairman of the Board and Chief Executive Officer TransAlta Utilities Corporation Chairman of the Board TransAlta Resources Corporation | 5,245 | | |

(1) Totals include shares acquired through the Corporation's Dividend Reinvestment and Share Purchase Plan on January 1, 1987.

(2) Member of Audit Committee.

(3) Member of Compensation Committee.

(4) Member of Risk Management Committee.

Mr. L.D. Hyndman, who is being nominated as a director, was appointed as a director on August 14, 1986. Prior to joining the law firm of Field & Field in June, 1986, Mr. Hyndman served in the Alberta Legislature as Provincial Treasurer from 1979 - 1986, Minister of Federal and Intergovernmental Affairs from 1975 - 1979 and Minister of Education from 1971 - 1975.

APPOINTMENT OF AUDITORS

The management of the Corporation proposes to nominate Clarkson Gordon, the present auditors, as auditors of the Corporation to hold office until the next annual meeting of shareholders.

DIRECTORS' AND OFFICERS' REMUNERATION FROM THE CORPORATION AND ITS SUBSIDIARIES

| | NATURE OF REMUNERATION EARNED | | |
|---|-------------------------------|-------------|-------------|
| | Directors' Fees | Salaries | Total |
| Remuneration of directors | \$154,500 | | \$ 154,500 |
| (A) Number of directors: 14 | | | |
| (B) Body corporate incurring expense: TransAlta Utilities Corporation | | | |
| Remuneration of directors | \$ 35,500 | | \$ 35,500 |
| (A) Number of directors: 7 | | | |
| (B) Body corporate incurring expense: TransAlta Resources Corporation | | | |
| Remuneration of executive officers | | \$1,677,000 | \$1,677,000 |
| (A) Number of executive officers: 15 | | | |
| (B) Body corporate incurring expense: 14 Officers - TransAlta Utilities Corporation 1 Officer - TransAlta Resources Corporation | | | |
| Totals | \$190,000 | \$1,677,000 | \$1,867,000 |

The Corporation and TransAlta Resources paid annual directors' fees in the amounts of \$6,000 and \$3,500 per director, respectively. In addition, each director who is not also an employee is paid a meeting fee of \$500 for each meeting of the board of directors or a committee thereof attended and all directors are compensated for incidental out-of-pocket expenses. Those directors who are not employees and who serve as chairman of any committee of the board of directors of the Corporation are each paid an additional \$1,500 annually. Effective January 1, 1987, the annual directors' fee of the Corporation was increased to \$7,000.

The cost in 1986 of all pension or retirement benefits proposed to be paid in the aggregate, directly or indirectly, to the executive officers noted above of the Corporation and its subsidiaries as a group in the event of retirement at normal retirement age is estimated to be \$165,000. The retirement pension plans are not available to the directors but are available to all full time employees. The plans are non-contributory for certain executive officers and contributions to the plans on behalf of thirteen of the fifteen officers noted above were made by the Corporation and TransAlta Resources in 1986.

The Corporation has entered into agreements with six of its executive officers whereby in the event of (a) a termination of employment for any reason other than for sufficient cause, on death, by reason of disability or at normal retirement age, (b) such officer terminating his employment within two years of a change of control of the Corporation, or (c) failure to negotiate a new agreement prior to the end of the current period of employment, the Corporation shall pay to such officer a sum equal to two times that officer's annual salary, together with certain lump sum benefits. In addition, the officer would continue to receive health, life insurance and employment benefits for a two year period following the date of termination, or, in lieu thereof, a cash payment. The officer would also be entitled to receive his normal pension benefits at retirement age, and to exercise immediately all stock options he would be entitled to exercise within a period of two years following the date of termination. The Corporation has also agreed to pay each officer a bonus equal to his annual salary in the event he continues to be employed by the Corporation beyond the period of two years following a change of control.

